

ELIGIBILITY MODERNIZATION: AN INDIANA SOLUTION

Highlights from the Inter-Agency Review Committee Report



Eligibility Modernization: An Indiana Solution

Why It's Time to Fix FSSA's Broken System

Lack of Self-Sufficiency Support

The welfare reform that has swept the nation over the past 10 years and helped many welfare recipients get back to work has not taken place in Indiana:

- Indiana's welfare caseload decreased by only 6 percent in the past decade, making **it last in the nation**, according to data from the U.S. Department of Health and Human Services.
- Indiana risks losing \$10 million in federal funding if its work participation rate for TANF participants is not 50 percent or higher during federal fiscal year 2007.

High Error Rates

- According to recent state audit findings, 35 percent of the Medicaid long-term care applications and 25 percent of the Temporary Aid for Needy Families (TANF) applications approved by FSSA contained errors, either approving applicants who did not qualify and/or providing too little or too much assistance for those who did qualify.
- In 2005, FSSA paid Food Stamps recipients \$33.9 million more than they were entitled.
- These error rates account for over \$100 million dollars in misspent taxpayer money every year.

Poor Service and Outdated Technology

- Lost paperwork, numerous and unnecessary face-to-face meetings and long wait times to process eligibility. 65 percent of our clients have rated their satisfaction with the current system as "below average;" 56 percent of our clients rated the current system as "too slow."
- A recent survey showed 48 percent of FSSA clients found it difficult to reach a caseworker.
- County offices are typically open only from 8 a.m. to 4:30 p.m. Monday through Friday, creating difficulties for applicants with work commitments and child responsibilities.
- At one time, FSSA had a backlog of more than 13,000 people waiting to learn if they were eligible for Medicaid disability because of a failure of Medicaid to process applications within the allotted 90-day period.
- Clients must make multiple trips to their county office to become eligible for benefits.
- Our current system is almost completely paper-based. Lost or misplaced documents are a regular occurrence..
- We spend more money on file cabinets each year than on computers.
- Clients can't email us, apply through the Internet, or send us electronic versions of documents.

Overly Burdensome Caseloads

- Caseworkers carry an average workload of 300 cases, with caseworkers in urban areas carrying as many as 500 cases.
- Because FSSA uses outdated technology, caseworkers spend more time inputting data changes or filing papers than using their expertise to help clients strive toward self-sufficiency.

Fraud and Corruption

- 21 co-conspirators committed fraud against the state for an average case cost of \$60,000.
 - Together, they have been accused of stealing over \$1 million in taxpayer money.
- More than 15 employees have been arrested since 2003 for fraud-related activities with the average case cost costing taxpayers \$50,000.

Inconsistent Performance

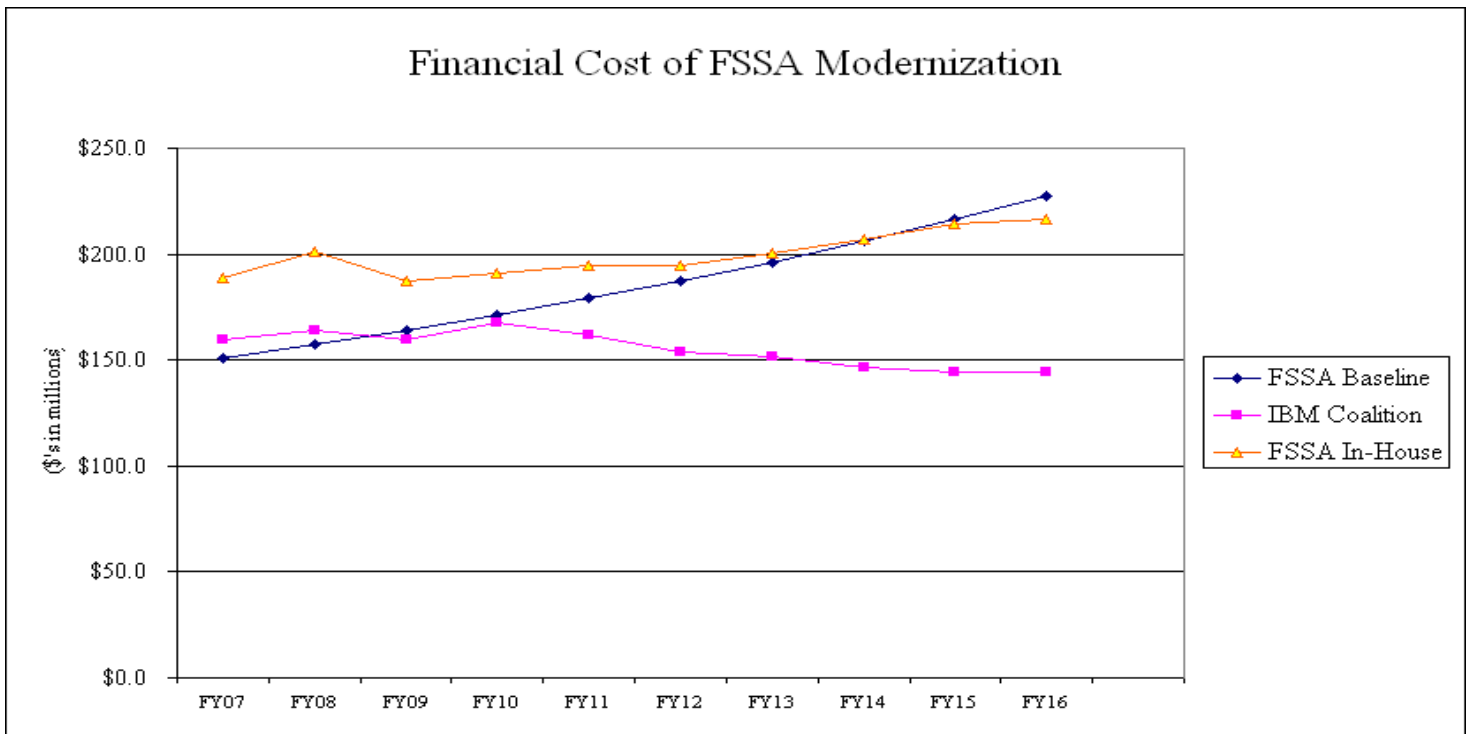
- 92 different offices with 92 differing eligibility determination policies and ways of doing business.



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Why It Makes Sense To Contract the Welfare Intake Process

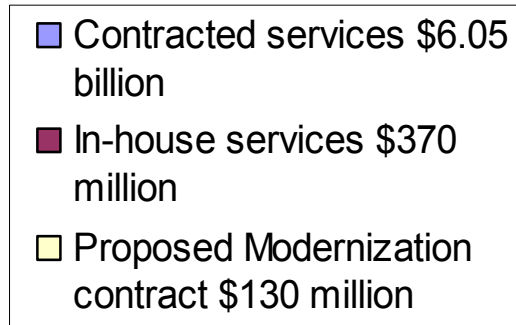
- Modernizing internally will be more expensive. The IBM proposal was \$490 million less than modernizing internally. (These figures can be found in the Report).
 - Cost of running the current system over 10 years:
 - \$1.955 Billion Dollars
 - Cost of fixing the system within state government over 10 years:
 - \$2.104 Billion Dollars
 - Recommended solution price over 10 years:
 - \$1.6 Billion Dollars total (IBM coalition \$1.16 Billion; \$500 Million In-House)
- To modernize on its own, FSSA would have needed a \$50 million up-front investment and more years to implement. To acquire \$50 million, layoffs would have been necessary.
- Paper-processing is neither a core business function nor an area where FSSA has excelled.
- FSSA does not have the in-house expertise to facilitate these changes.
- Currently, 92 percent of FSSA's current budget is spent on purchased services. It will increase by only 2 percent after the contract's implementation.
- FSSA employees—and the institutional memory they bring—are a big part of the project.
- State employees will still make eligibility decisions.
- FSSA has had over 10 Secretaries in the past 15 years. A project of this length and magnitude requires a continuity of leadership that FSSA simply hasn't had.



Contracting for Social Services is the Rule— NOT the Exception

Current Contracted Services

- Claims Processing/fiscal agent – EDS (1994)
- Risky Based Managed Care-MCOs (1994)
- ICES- Deloitte Consulting/Consultants (1992)
- EBT services- J.P. Morgan (1996)



*All Dollars are on an annual basis

If eligibility is contracted: The percentage of services FSSA contracts will go from 92% to 94%.



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The Evolution of the Proposed Plan

IBM Original Proposal

- A County Office in only 37 counties
 - An additional 55 offices housed and staffed by community-based organizations
- Some clients travel to neighboring counties
- Seven “back office” processing centers
- State makes final decision for Food Stamps and Medicaid. IBM Coalition makes final decision for TANF, Child Care, and non-Medicaid Hoosier Healthwise
- Employee benefits and pay inferior to state

Proposed Agreement

- A County Office in every county, plus an additional 4 offices (96 offices total)
 - 55 of those 96 County Offices completely state-run and state-staffed
- All clients receive services in home county
- Eight “back office” processing centers
- State employees continue to make eligibility determination for ALL benefits
- Employee benefits and pay equal to or better than state



Eligibility Modernization: An Indiana Solution

<u>Before Modernization</u>	<u>After Modernization</u>
<ul style="list-style-type: none"> ■ A County Office in every county ■ 2,200 State Employees ■ Multiple visits; multiple locations ■ Caseworkers push paper ■ State determines final eligibility ■ “Soft” error control mechanisms (training, education, emphasis) ■ Clients can apply in-person ■ Single intake point (County Office) ■ Interview driven ■ Income verification not cross-referenced w/ other systems (i.e. state revenue, credit bureau) ■ Inconsistent application of eligibility standards 	<ul style="list-style-type: none"> ■ A County Office in every county ■ 2,200 Employees: 682 state employees, and the rest IBM-team employees ■ One visit; single location ■ Caseworkers perform social service activities ■ State determines final eligibility ■ “Hard” error control mechanisms (service level agreements, incentives, penalties) ■ Clients can apply in-person ■ New, multiple intake points (County Office plus phone, web, mail, fax, email) with transitioned state employees ■ “Self-Serve” survey driven ■ Income verification cross-referenced w/ other systems (i.e. state revenue, credit bureau) ■ Consistent application of eligibility standards
<p style="text-align: center;">Transition to the New Service Model:</p> <ul style="list-style-type: none"> ■ Transition will be handled in 4 phases: <ul style="list-style-type: none"> ■ Phase 1 – Grant County, and the surrounding counties--10% of caseload ■ Phase 2 – Clark County, and the surrounding counties--25% of caseload ■ Phase 3 – Lake County, and the surrounding counties--25% of caseload ■ Phase 4 – Marion County, and the surrounding counties-- 40% of caseload ■ No phase will begin until the previous phase is completely transitioned 	



How is the Proposed Eligibility Modernization System Different from the Other States?

Too Much Too Fast (Texas)

- Tried to revamp its entire public assistance eligibility process with Accenture.
- Changed underlying computer system.
- Changed eligibility requirements for some public assistance programs.
- Did not hire state employees.
- Tried to do too much too quickly.

Indiana

- Modernizing eligibility intake process with IBM Coalition.
- Underlying computer system remains the same.
- No change in eligibility requirements.
- Experienced State employees are hired.
- Roll-out through pilot programs.

Bottom Line: Texas tried to change too many things at once. Indiana is only changing the welfare application process.

Using Internal Resources Only (Florida)

- Used costly internal resources only.
- Laid-off employees to make the initial infrastructure investment.
- Ten-year plan to implement.
- Lack of expertise and budget constraints created clumsy technology solutions.

Indiana

- Using vendor with substantial resources.
- Contractor makes initial infrastructure investment. No layoffs.
- Implementation complete in 2008.
- State of the art technological solutions provided by a vendor at the top of the industry.

Bottom line: States that try to make these improvements on their own encounter higher costs and less effective results.



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How FSSA Employees Are Affected

- Every employee will have a job with the state or with the IBM team (after passing a drug and background screen).
- Every employee will get the same or better salary.
- Every employee will get comparable benefits for the same cost as the state's benefits.
- Every employee of the IBM team will get a two-year job commitment (subject to progressive discipline).
- Employees who transition to the IBM team will be offered employment at a location within 50 miles of their current work location when possible. Employees who are offered positions 50 or more miles from their current work site will be eligible for a \$2,000 relocation allowance, should they decide to relocate.
- Employees who move to the IBM team will have their state job tenure honored by the employer for accrual of paid time off (vacation and sick). State job tenure will also be honored for eligibility and vesting in the employer's retirement and other benefit plans.
- Employees who transition to the IBM team will be offered the same career advancement opportunities as the employer's current employees.
- Employees who transition to the IBM team will be offered enhanced training opportunities and new equipment during implementation.
- Approximately one-third of Department of Family Resources county employees will remain employed by the state to serve in the important role of determining eligibility for assistance.



Safeguards

New Federal TANF Requirements

- The purpose of welfare is to help our neediest citizens while they develop the skills to become self sufficient. Indiana has the worst record in the country in decreasing its welfare caseloads and moving people off of welfare and into work.
- Clients enter Indiana's welfare system and often spend months waiting for job training assistance.
- Federal law requires 50% of TANF recipients to be in job related activities at least 30 hours a week. If we don't reach this number, we face fines of over \$10 million dollars a year.
- Indiana's current work participation rate is 32%.
- IBM will be held monetarily accountable if Indiana does not reach these federal levels.

There are 4 categories of performance standards under the contract with IBM, all of which are associated with specific monetary consequences. These categories are:

- *Service Levels:* The State and IBM will develop an extensive procedures manual which will include a detailed list of each of the steps that IBM and the State are each responsible for in the eligibility process. The IBM-led Coalition will be held accountable for compliance with the steps for which they are responsible in the processing of Medicaid, TANF and Food Stamps applications, re-determinations and changes. The IBM-led Coalition must complete 100% of these steps correctly 95% of the time. In addition, IBM will be held accountable for compliance with the new federally mandated work participation requirement.
- *Key Performance Indicators:* The State has identified key performance indicators (KPIs) which provide early visibility into potential problem areas. Initial KPIs include call center response time, call center hold time, maintaining posted office hours, imaging of verifying documentation, processing of applications, re-determinations and changes within a specified time period, web-site availability, and disaster recovery testing. These indicators are monitored on an ongoing basis and penalties are assessed on a monthly basis for non-compliance. The contract with IBM allows for the State to identify new KPIs as necessary.
- *Critical Transition Milestones:* The State will identify no less than eight milestones during Transition as critical. Penalties will be imposed if IBM does not successfully achieve the objectively established acceptance criteria on or before the established date for completion.
- *Federal Penalties:* IBM will be held accountable for penalties imposed by the Federal government in which federal TANF minimum work participation requirements, or federal Food Stamp error rate requirements cause the State to pay a financial penalty to any federal Governmental Body, when any federal Governmental Body reduces its federal financial participation with the State, or when any federal Governmental Body requires the State to expend additional funds on any Program in lieu of a financial penalty

IBM has millions of dollars at stake if they are not successful!



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Economic Development

The economic development agreement is best understood in terms of two broad categories, although all of the initiatives have important implications for economic development.

New Jobs and Economic Development Consulting

1. IBM commits to creating 1,000 new jobs in Indiana over the next four years, with 850 of these jobs being created in the first two years. A significant portion of these jobs will be created through a new IBM Customer Service Center. (These jobs will be in addition to any that may be created through the FSSA contract.)
2. IBM will provide a maximum of 400 hours of economic development consulting services to the Indiana Economic Development Corporation without charge. The services will include an analysis of Indiana's competitive economic position and detailed suggestions for marketing and business development. In addition, the services may target particular industry sectors and regions in the state's economy. IBM estimates the value of these services to be \$100,000.

New Assets to Indiana's Life Sciences and IT Communities

1. IBM will provide to IU and Purdue, without charge, Blade hardware and software that will be configured to boost the capacity of IU's 'Big Red' supercomputer in Bloomington. IU and Purdue will jointly own this 'e1350 BladeCenter Cluster,' although it is anticipated that Indiana life science organizations and companies (including BioCrossroads and Lilly) will gain access to the enhanced supercomputer to augment the life sciences industry in Indiana. The Blades will come with three years of warranty support services. In addition, IBM will provide three computational research staff for twelve months each to work with IU, Purdue, and IUPUI in connection with the BladeCenter Cluster. IBM estimates the total value of the Blades and services to be between \$6 million and \$7 million. The 'Big Red' supercomputer was recently rated as being the 23rd most powerful supercomputer in the world. IBM's addition of Blade technology will increase 'Big Red's' already high standing.
2. IBM will establish a Future Technology Solution Design Center on the campus of IU. The Center will focus on developing multi-core technologies for IBM and its alliance partners. In connection with the Center, IBM will provide hardware and software, five computational/computer scientists, and one Administrative Assistant for a minimum of two years. IBM anticipates that IU and Purdue faculty as well as industrial partners will work with IBM on multi-core technology projects at the Center. The Center has the potential to attract new economic development opportunities to Indiana. IBM estimates that the value of its services, equipment, and software provided for the Center will be \$2 million/year.

